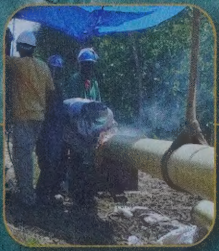
AVENTURA energy inc.

Together We Aspire, Together We Achieve



2002 Annual Report to Shareholders

Corporate Profile

TEAM CALGARY

L to R: Giuseppe (Joe) Arcuri, Lorenzo Donadeo, Mike Leith, Marty Wares, Blair Anderson

TEAM TRINIDAD

Seated, L to R: Claudius Ramdeen, Barry Larson, Phillip Calderon, Denis Gratton, Joycelyn Ramsey

Standing, L to R: Vidisha Bridglal, Vijaysingh Ramsamooj, Carl Dorsch, Pradeep Ramsamooj, Eric Key, Davina Manohar

Aventura Energy Inc. is an internationally focused public energy company engaged in the exploration, development and production of oil and gas. Aventura is the operator of its major asset, a 65 percent working interest in the onshore Central Block lying in the prolific hydrocarbon producing Southern Basin of Trinidad. Aventura initiated production from its world-class gas and condensate discovery in December 2002. Aventura is listed on the Toronto Stock Exchange, under the symbol AVR.

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Highlights

(US $000s, unless otherwise stated)	2002	2001	% Change
Financial			
Petroleum and natural gas revenues [1]	**1,480**	1,549	(4)
Cash flow from operations	**672**	579	16
Per share *($)* [2]	**0.04**	0.05	(20)
Net (loss) earnings	**48**	(141)	–
Per share *($)* [2]	**0.00**	0.00	–
Capital expenditures	**2,462**	6,097	(60)
Cash balance	**6,365**	1,905	234
Total assets	**27,041**	14,614	85
Shareholders' equity	**26,111**	12,914	102
Common shares outstanding *(000s)* [2]			
Basic, end of year	**23,225**	12,846	82
Weighted average - basic	**17,673**	12,619	40
Weighted average - diluted	**19,192**	15,375	25
Operations			
Production [1]			
Oil and NGLs *(bbls/d)*	**118**	138	(14)
Natural gas *(mcf/d)*	**1,119**	1,336	(16)
Total *(boe/d)*	**305**	360	(15)
Reserves (proven plus 50% probable)			
Oil and NGLs *(mbbls)*	**4,001**	4,041	(1)
Natural gas *(mmcf)*	**85,132**	85,540	–
Total *(mboe)*	**18,190**	18,298	(1)

[1] *Includes production revenue from Central Block (25% WI) beginning in December 2002.*

[2] *Share and per share amounts reflect a ten for one share consolidation which occurred March 11, 2003.*

Throughout this report, barrels of oil equivalent (boe) refers to 6 thousand cubic feet (mcf) equivalent to 1 barrel (bbl) and all financial data is denominated in US dollars, unless otherwise stated.

Together We Aspire, Together We Achieve

President's Message to Shareholders

It is with great pleasure that I report the significant achievements made by Aventura Energy Inc. ("Aventura" or the "Company") in 2002. These achievements reflect the dedicated teamwork of our employees, the strong support of partners and the hard work of Trinidadians who have been involved in Aventura's projects to date. The year 2002 was pivotal for Aventura as the Company increased its interest in the Central Block, assumed operatorship of the property and transformed the Carapal Ridge-1 discovery well into a producing asset. In addition, Aventura has identified several new exploration targets on the Central Block, two of which will be drilled in 2003. These wells hold significant reserve and production potential and provide exciting possibilities.

Most of the past year's activity revolved around the development of the Carapal Ridge-1 gas/condensate discovery made in 2001. Construction of gas processing facilities and the installation of a connecting pipeline linked the property into Trinidad's gas supply network, allowing access to all of the major gas purchasers on the island. Aventura is very pleased with the level of professionalism and the quality of workmanship demonstrated by local suppliers who received 75 percent of the contract value of these projects.

Following the connection of these new facilities, the Carapal Ridge-1 discovery well was placed on an extended production test on December 12, 2002 and began flowing at a market-restricted gross rate of 21.5 million cubic feet per day of natural gas and 27 barrels per million cubic feet of high quality condensate for combined net 25 percent working interest production of 2,700 barrels of oil equivalent per day. Aventura is currently delivering sales gas to the Petroleum Company of Trinidad and Tobago Limited ("Petrotrin"), Trinidad's national oil company and the Company's partner in the Central Block, for use as fuel gas in its Point-a-Pierre refinery.

In January 2003, as part of the significant restructuring of Vermilion Resources Ltd., ("Vermilion") Vermilion's 40 percent interest in the Central Block was consolidated with Aventura's 25 percent interest. Accordingly, Aventura, through its wholly owned subsidiary Vermilion Oil and Gas (Trinidad) Ltd., now owns a 65 percent interest and operates the 111 square kilometre Central Block located onshore Trinidad in the prolific Southern Basin. As a result of the restructuring, Vermilion Energy Trust holds 72 percent of the Aventura shares.

Aventura sold its Canadian petroleum and natural gas assets early in 2003. The Company is reviewing its operations in Argentina in light of the geo-political and economic uncertainty and the growing demand for capital in Aventura's Trinidad operations.

FINANCIAL STRENGTH

Aventura ended the year with a cash balance of $6.3 million and is currently generating $320,000 per month in cash flow, which should provide sufficient funds to satisfy the capital budget requirement in 2003. Up to year-end 2002, Aventura had spent US $9.9 million in Trinidad. Including estimated future development costs of $2.8 million, the total finding and on-stream cost for the Company's proven reserves in Trinidad is $1.28 per barrel of oil equivalent.

STRATEGIC PARTNERS HELP SHAPE AVENTURA'S FUTURE

Aventura derives significant strategic and cost benefits through its association with its parent firm Vermilion Resources Ltd. and, conversely, is a significant piece of the Vermilion Energy Trust story. Aventura is pleased to be a partner with Petrotrin, working together to explore for and develop the hydrocarbon resources of the Central Block. As the Company focuses its efforts on development of new long-term gas contracts, the cooperation and encouragement of the government of Trinidad and Tobago is greatly appreciated.

MOVING FORWARD IN THE YEAR AHEAD

The year 2003 will be one of challenge and opportunity. Aventura will continue to build on the early success of its exploration program and will drill two additional Herrera formation prospects in the first half of the year. The Company also plans to complete a 3-D seismic program covering the southwestern half of the Central Block and to reprocess some of its earlier 3-D seismic on the northeastern half of the block. Accordingly, by year-end 2003, Aventura will have full 3-D seismic coverage on its lands, which should provide additional leads in this prospect rich basin.

Aventura and its partner Petrotrin continue to negotiate with several potential natural gas purchasers to maximize the value of production from the Carapal Ridge-1 well. Aventura expects the current production test will be extended indefinitely and hopes to increase gross sales volume to the refinery to 30 million cubic feet per day by year-end. Looking beyond 2003, Aventura is negotiating with a number of parties in Trinidad to broaden its contract base and increase both the produced volumes and the monetary value of this world-class asset. Trinidad's burgeoning natural gas markets include significant expansions to the country's methanol, ammonia and liquefied natural gas (LNG) facilities. Aventura is well positioned to provide natural gas supply to any of these markets.

ACKNOWLEDGMENTS

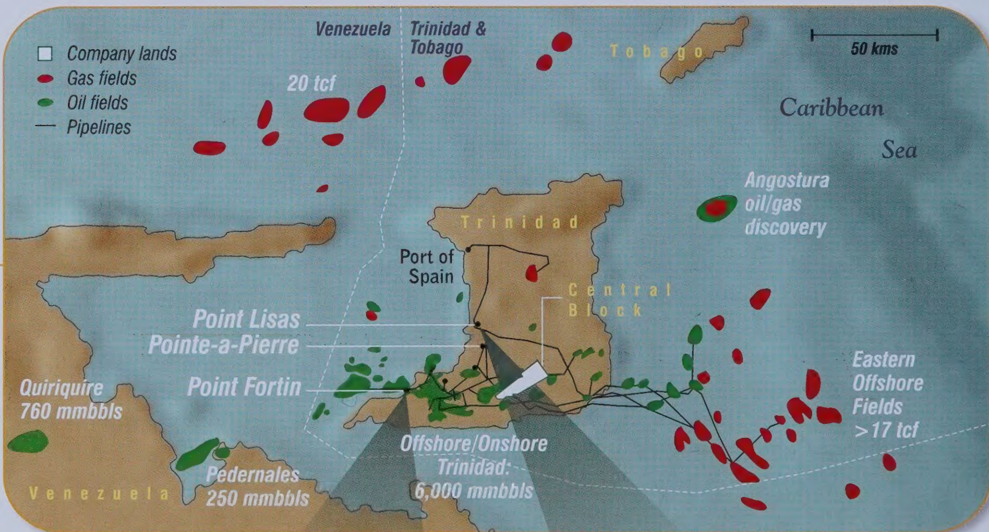
The year 2002 was a year of progress as well as one of change. Following the restructuring, Scott Price resigned from Aventura to pursue other opportunities. Scott was a key player in a team that built a strong foundation for Aventura, and we would like to thank him as well as current Aventura employees, Blair Anderson, Barry Larson and Marty Wares for their efforts in this regard. We also wish to thank Jeff Boyce and Chris Baker, both of whom have resigned from the Board of Directors, for their past guidance. Aventura is pleased to welcome Claudio Ghersinich and James McFarland to the Board and look forward to an exciting and prosperous year ahead. Finally, we thank all of our shareholders for their continued loyal support.

Respectfully submitted on behalf of the management team and the Board of Directors,

Lorenzo Donadeo
Chairman, President and Chief Executive Officer
April 30, 2003

TRINIDAD

Aventura continued its outstanding growth in Trinidad throughout 2002. During the year the Company achieved several landmarks, the highlight of which was the commencement of production and sales from its Carapal Ridge-1 gas/condensate discovery (2001). This field was heralded by Petrotrin as the largest onshore discovery in Trinidad in the last 40 years. These milestones would not have been possible without the participation and close cooperation between Aventura, it's partner Petrotrin, the Ministry of Energy and the various contractors and local suppliers associated with the project.



Point Fortin
Atlantic LNG Complex
(1.5 bcf/d in 2003)
Photo courtesy of Atlantic LNG

Point Lisas
Industrial Estate
(1.1 bcf/d)

By the end of the fourth quarter of 2002, Aventura had completed construction of the gas processing facilities at Carapal Ridge-1 (CR-1) and installed an 11.5 kilometre, 10-inch pipeline connecting the well into the National Gas Company (NGC) grid at the Trinity metering station.

Production commenced on December 12, 2002 at a gross rate of 21.0 million cubic feet per day of natural gas and 700 barrels of condensate per day. The sales gas is delivered to Petrotrin's refinery at Point-a-Pierre for use as fuel gas. Aventura's gas pipeline has a design capacity to facilitate full-scale field development. The 10-inch pipeline is capable of transporting in excess of 180 million cubic feet per day of natural gas at the operating pressure of the plant. The plant has been constructed in a transportable, modular design so that additions to the process or expansion are done simply and economically, and relocation for optimum field development can be considered.

This modular concept will allow rapid expansion at less than new construction cost. The plant is designed to separate the gas from the liquids and then process the gas to meet NGC pipeline specifications, as well as stabilize the condensate for storage in two x 2,000-barrel tanks on location before LACT (Lease Automatic Custody Transfer) measurement and transportation via Petrotrin's six-inch Catshill oil pipeline system to the Barrackpore production facility. The plant was constructed and brought into service for US $2.4 million and the pipeline was constructed for US $2.1 million. The plant is constructed with a programmable logic control (PLC) operating system and as a result, operates with minimal supervision. The design allows Aventura to achieve extremely low operating costs at the facility. A combination of low operating costs with easy and rapid expansion capabilities enable Aventura to offer extremely competitive gas into the marketplace in Trinidad.

Aventura has mapped out a market growth strategy through to 2005 and beyond. Based on preliminary reserves and deliverability data, Aventura expects to continue working with its partner Petrotrin to market 20 to 30 million cubic feet per day of natural gas to the domestic sector. The Company continues its efforts to develop short-term/spot market opportunities and to develop a diversified market mix targeting access to onshore petrochemicals, power generation and the rapidly growing LNG markets.

Carapal Ridge
Production Facility (2002)

Baraka-1
Exploratory Well Location

In early 2003, Aventura launched its two well exploratory drilling program with the spudding of the Saunders-1 well. Located approximately three kilometres southwest of the Carapal Ridge-1 discovery, Saunders-1 is designed to drill to 10,500 feet and test several objectives on trend with the Carapal Ridge Field. Lease construction is nearing completion on the Baraka-1 exploratory location, which will be drilled immediately after the rig is released from the Saunders-1 location. The Baraka-1 well, located three kilometres northeast of the Carapal Ridge-1 well, will test a separate structure with multiple reservoir objectives.

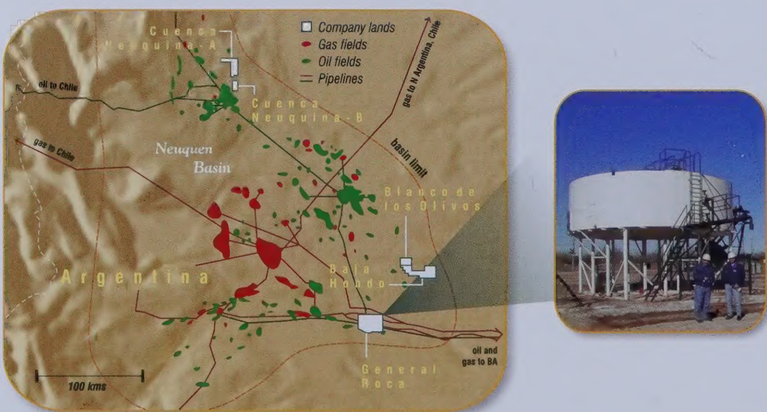
Additional exploration and development activities are planned throughout 2003. A 65 square kilometre 3-D seismic survey is planned for the latter half of 2003 to define additional prospects and leads for drilling in 2004 - 2005. Currently four to six Herrera (Miocene age) prospects and leads have been defined on the block and it is anticipated that the 3-D survey will serve to mature this inventory to drillable status. Additional oil potential lies in shallower reservoirs of the Cruse (Forest/Wilson) formation where a relatively inexpensive program to twin and re-complete existing wells is being considered.

In parallel with its continued development of the hydrocarbon resources of the Central Block, Aventura is poised to expand its exploration and production presence in Trinidad through a combination of Bid Round participation, farmins and joint ventures.

The Central Block lies within a prolific petroleum system characterized by multiple reservoirs and play types. The Aventura geo-technical team are excited by the potential for future large reserve additions and production growth .

ARGENTINA

Aventura currently holds interest in four operated onshore blocks lying in the prolific Neuquen Basin of Argentina. All four properties hold a mix of both oil and gas exploration, exploitation and development opportunities. At year-end Aventura was developing a go-forward plan for these properties balanced by current demands on capital in Trinidad and the continued geo-political and economic uncertainty in Argentina.



General Roca
Production facilities at DJ-X1

CANADA

In an effort to ensure that the Company had sufficient capital resources to fund the program in Trinidad and part of the Vermilion restructuring, Aventura Energy Inc. completed the disposition of its 25 percent override on the Bottrel property to Vermilion for CDN $6.3 million. The balance of the Company's remaining producing petroleum and natural gas assets in Canada were sold on January 31, 2003 for CDN $1.3 million.

RESERVES AND FINDING COSTS

Aventura's activities in 2002 were focused on the installation of production facilities to bring the Company's Trinidad gas reserves on-stream. Accordingly, the majority of the proven, non-producing reserves in Trinidad were moved into the proven producing reserve category. Through December 2002, cumulative capital expenditure to-date in Trinidad is $9.88 million. Including future development costs of $2.76 million, the estimated finding and development costs for the Company's reserves in Trinidad are $1.28 per barrel of oil equivalent. On a proven plus probable basis, total finding and development costs in Trinidad are estimated at $0.61 per barrel of oil equivalent.

Gilbert Laustsen Jung Associates Ltd. provided a year-end assessment of these reserve figures, based on that firm's oil pricing forecast effective January 2003 adjusted to reflect Trinidad market conditions.

RESERVES RECONCILIATION

Proven	Oil (mbbls)	Gas (mmcf)	NGLs (mbbls)	Total (mboe)
Canada				
December 31, 2001	153	1,860	75	537
Production	(22)	(346)	(15)	(94)
Revisions	9	2	3	13
December 31, 2002	**140**	**1,516**	**63**	**456**
Argentina				
December 31, 2001	544	1,490	–	792
Production	(5)	–	–	(5)
Revisions	(3)	10	–	(1)
December 31, 2002	**536**	**1,500**	**–**	**786**
Trinidad				
December 31, 2001	–	48,500	1,770	9,850
Production	–	(63)	(1)	(12)
Revisions	–	(10)	3	5
December 31, 2002	**–**	**48,427**	**1,772**	**9,843**
Combined				
December 31, 2001	697	51,850	1,845	11,179
Production	(27)	(409)	(16)	(111)
Revisions	6	2	6	17
December 31, 2002	**676**	**51,443**	**1,835**	**11,085**

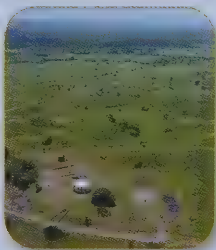
RESERVES SUMMARY

(as of January 1, 2003)	**Oil** (mbbls)	**Gas** [3] (mmcf)	**NGLs** [3] (mbbls)	**BOE** [3] (mbbls)	**NPV US$000s** [1,2] **at 8%**	**NPV US$000s** [1,2] **at 12%**
Canada						
Proven producing	140	1,465	59	443	4,566	3,967
Proven non-producing	0	51	4	13	141	129
Total proven	140	1,516	63	456	4,707	4,096
Probable	75	655	29	213	1,109	777
Proven + probable	215	2,171	92	669	5,816	4,873
Proven + 50% probable	177	1,843	78	562	5,261	4,485
Argentina						
Proven producing	0	0	0	0	0	0
Proven non-producing	536	1,500	0	786	738	424
Total proven	536	1,500	0	786	738	424
Probable	483	1,936	0	806	1,832	1,456
Proven + probable	1,019	3,436	0	1,592	2,570	1,880
Proven + 50% probable	778	2,468	0	1,189	1,654	1,152
Trinidad						
Proven producing	0	47,081	1,772	9,619	20,200	16,400
Proven non-producing	0	1,346	0	224	300	200
Total proven	0	48,427	1,772	9,843	20,500	16,600
Probable	0	64,788	2,393	13,191	22,100	16,200
Proven + probable	0	113,215	4,165	23,034	42,600	32,800
Proven + 50% probable	0	80,821	2,969	16,439	31,550	24,700
Combined						
Proven producing	140	48,546	1,831	10,062	24,766	20,367
Proven non-producing	536	2,897	4	1,023	1,179	753
Total proven	676	51,443	1,835	11,085	25,945	21,120
Probable	558	67,379	2,422	14,210	25,041	18,433
Proven + probable	1,234	118,822	4,257	25,295	50,986	39,553
Proven + 50% probable	955	85,132	3,046	18,190	38,465	30,337

[1] *Canadian net present values are before tax and converted from Canadian to US at an exchange rate of US$ = 1.50 CDN$ Canadian asset values were effective October 1, 2002.*

[2] *International asset values are fully taxed and effective January 1, 2003. Valuation is based on a WTI price of $25.50/bbl US for 2003, $22.00 for 2004 and $21.00 for 2005 and 2006, escalating at 1.5% thereafter. Price differentials of $3.50 and $5.00 per bbl were applied to Trinidad and Argentina production respectively. Trinidad gas price is based on $1.05 per mcf US for 2003 and 2004, increasing to $1.21 in 2005 and remaining flat. Argentina gas price is $1.39 per mcf US in 2005 escalating at 1.5% per annum thereafter.*

[3] *All reserves volumes are net to Aventura before taxes and effective January 1, 2003.*

Trinidad's Energy Future - Fuelled by Gas

TRINIDAD AND TOBAGO - THE SHINING STAR OF THE CARIBBEAN

The Republic of Trinidad and Tobago is the most southern of the Caribbean archipelago. The country gained its independence on August 31, 1962 and functions as a self-governing Republic within the British Commonwealth. Trinidad and Tobago is governed by a parliamentary system of government with a President, His Excellency President George Maxwell Richards, a Prime Minister, the Honourable Patrick Manning, a Senate numbering 31 members and a House of Representatives numbering 36 members. The country enjoys real GDP growth of four percent from a diverse economy led by energy, industrial products and tourism. With a literacy rate approaching 95 percent of its population of nearly 1.2 million people, a rich, multicultural heritage, an abundance of natural resources, and a supportive, democratic government, Trinidad and Tobago may truly be regarded as the shining star of the Caribbean.

DYNAMIC GROWTH IN THE ENERGY SECTOR

The energy sector continues to be the mainstay of the economy of Trinidad and Tobago, the Caribbean's largest producer of oil and gas. The country's rich history of hydrocarbon development dates back to the mid-1800's, while recent government initiatives have rejuvenated the industry. Numerous production-sharing contracts have been awarded since 1995, resulting in an acceleration of exploration efforts whose results are beginning to materialize.

In May 2001, British Petroleum Trinidad announced a one trillion cubic foot offshore natural gas find 42 miles off Trinidad's eastern coast. Between November 2001 and March 2002, BHP Billiton, with consortium partners TotalFinaElf and Talisman Energy, announced three new hydrocarbon discoveries in Block 2(C) located off the northeastern coast of Trinidad. BHP Billiton estimates that Block 2(C) contains up to one billion barrels of oil and 2.5 trillion cubic feet of natural gas, making it the country's largest offshore discovery. In May 2002, EOG Resources (U.S.) announced a new discovery in its SECC block, also located off Trinidad's eastern shore. This new discovery is expected to add 250-350 billion cubic feet of natural gas to the field's existing reserves. As previously noted, Aventura's Carapal Ridge discovery in 2001, with gross proven and probable reserves of over 450 billion cubic feet, is the country's largest onshore discovery in 40 years. At the end of 2001, Trinidad and Tobago's proven natural gas reserves exceeded 20 trillion cubic feet and total proven and probable reserves were nearly 35 trillion cubic feet.

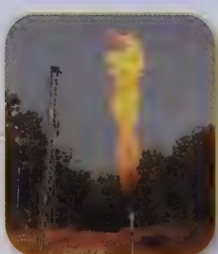
The country's oil production of approximately 115,000 barrels per day, which has been slowly declining, will be boosted by the onset of production from the Greater Angostura oil and gas field. This project, operated by BHP Billiton (Block 2(C)), will have a designed capacity of 100,000 barrels of oil per day and is expected to achieve first oil by 2004.

NATURAL GAS, THE NEW DRIVER

Trinidad and Tobago has become one of the major natural gas development centres in the world. Gas is expected to surpass oil as the main revenue generator for the country in the near future. Natural gas markets in Trinidad and Tobago can be grouped into three categories. The gas is used as a feedstock for chemical fabrication (fertilizer and methanol), as a source of liquefied natural gas (LNG) for export, and as fuel for industrial fabrication (steel, cement and petroleum products), power generation and local consumption. Trinidad now has eight ammonia complexes (with a ninth under construction), five methanol units (with two more under construction), a urea plant, and an iron and steel complex. Trinidad is the world's leading exporter of both ammonia and methanol. Total domestic consumption of gas is currently 1.1 billion cubic feet per day and should climb to 1.5 billion cubic feet per day upon completion of the new methanol and ammonia plants.

Trinidad and Tobago is also the largest LNG exporter and provides the lowest landed-cost product available in the United States. Atlantic LNG Company of Trinidad and Tobago operates two natural gas liquefaction facilities, with a third scheduled to come on-stream during the third quarter of 2003. By the end of 2003, total throughput capacity will reach approximately 1.5 billion cubic feet per day. A fourth facility (Train IV), which could add an additional 800 million cubic feet per day of capacity, is currently being planned for the latter half of 2005. Upon completion of Train IV, the LNG complex will rank as the fourth largest in the world. While Trinidad and Tobago currently exports much of its LNG to markets in Spain, significant expansion of existing U.S. LNG marine terminals and the planned development of new import facilities will provide an attractive market that coincides well with Trinidad and Tobago's escalation in LNG export capacity. The future upstream development of the country's gas industry is dependent on large-scale downstream projects using natural gas as fuel or feedstock. Future avenues of growth include new conversion technologies include Gas-to-Liquids (GTL) and Dimethylether (DME), both designed to convert natural gas into a liquid form for transportation and power generation fuel. The market potential of these new products could dwarf the existing markets for natural gas in Trinidad and Tobago.

Aventura's near-term success in Trinidad and Tobago will, in part, be a function of the Company's ability to capture its share of the country's burgeoning markets. Intense discussions are well underway with all relevant parties.

Together We Aspire, Together We Achieve

Aventura Energy Inc. ("Aventura" or the "Company") had a successful year in 2002 due to the tie-in and initial production from the Carapal Ridge-1 well in December 2002.

This discussion should be read in conjunction with the Consolidated Financial Statements and related notes that follow this section. As the Company's operations are principally international and are primarily denominated in United States dollars, the Company has chosen to report in United States dollars. The financial information herein stated is expressed in United States dollars unless otherwise noted. Natural gas is reported in barrels of oil equivalent using a conversion rate of six thousand cubic feet to one barrel. The per share information reflects a 10 for 1 share consolidation which occurred March 11, 2003.

PRODUCTION

In 2002, the Company's average daily production decreased to 305 barrels of oil equivalent, a 15 percent decrease below the 2001 rate of 360 barrels of oil equivalent per day. Fourth quarter production rates for 2002 were 370 barrels of oil equivalent per day, consisting of 122 barrels per day of oil and liquids and 1,487 thousand cubic feet per day of gas. The comparable fourth quarter 2001 production was 124 barrels of oil per day and 1,171 thousand cubic feet of gas per day as the result of normal production declines.

Domestic

The decrease reflects the production declines of Bottrel royalty volume for the whole year at an average production rate of 195 barrels of oil equivalent per day compared to the 2001 annual rate of 269 barrels of oil per day. The Bottrel 2002 daily production rate consisted of 932 million cubic feet of natural gas and 39 barrels of natural gas liquids. Domestic working interest oil production was averaging 64 barrels a day in 2002 compared to 68 barrels a day in 2001 due to normal production declines.

International

International production rates increased to 47 barrels of oil equivalent per day, a 124 percent increase over the 2001 rate of 15 barrels of oil equivalent per day. The production increase is attributable to Trinidad production, which came on-stream December 12, 2002 and by year-end was at a production rate to the Company's 25 percent working interest of 5.4 million cubic feet of natural gas per day and146 barrels of natural gas liquids per day or 1,046 barrels of oil equivalent per day.

Argentina production averaged 15 barrels of oil per day for 2002, a 29 percent decrease over the 2001 production rate of 21 barrels per day.

REVENUE

Petroleum and natural gas revenue declined by four percent to $1,479,867 in 2002, due to decreased oil and gas production in Canada, partially offset by revenue in Trinidad starting in December 2002 and substantially increased domestic gas prices. Royalty interest gas prices before processing deductions averaged $2.51 per thousand cubic feet for 2002 compared to $1.82 in 2001. Oil and natural gas liquid prices in Canada averaged $21.93 and $13.19 per barrel, respectively, in 2002. The comparable prices in 2001 were $21.66 and $16.05 per barrel. Trinidad prices in 2002 for gas and liquids respectively were $1.04 per thousand cubic feet and $25.64 per barrel. Gas sales increased 20 percent to $667,000 in 2002 reflecting a production decrease of 16 percent offset by a higher gas price increase. Oil and liquid sales totalled $813,000 for 2002 an 18 percent decrease over 2001 due to a 14 percent decline in volumes and a five percent decrease in pricing over 2001.

ROYALTIES

Royalties were $107,000 in both 2002 and 2001. Royalties, as a percentage of sales, excluding the Bottrel royalty income, were 15.6 percent in 2002 compared to 15.4 percent in the prior year. The royalty rate remained flat as the higher royalty rate of 30 percent in Argentina in 2002 was reduced by the low royalty rate in Trinidad of 10 percent.

PRODUCTION EXPENSES AND NET OPERATING INCOME

Production expenses decreased by 31 percent to $195,994 from $285,001. On a per unit basis, operating costs decreased to $4.62 per barrel of oil equivalent in 2002 from $8.57 in 2001. The 46 percent decline in expenses on a barrel equivalent basis in 2002 was due to reduced operating costs on Argentina activities, the per unit operating costs in Argentina were $11.89 per barrel of oil equivalent for 2002 compared to $20.23 in 2001. The 41 percent decline in Argentina's operating costs is the result of the currency devaluation of the Argentine peso. The operating costs in Canada increased five percent in 2002 compared to 2001 on a per unit basis.

Net operating income for 2002 totalled $1,176,469 a two percent increase over the 2001 total of $1,157,256. The small increase reflects slightly lower revenues and an improvement in the operating costs in Argentina.

Operating Revenue Analysis	*2002*	*2001*	*% Change*
Oil and gas sales	**$ 690,612**	$ 705,927	(2)
Royalty income	**789,255**	843,360	(6)
Royalties	**(107,404)**	(107,030)	–
Net revenue	**1,372,463**	1,442,257	(5)
Production expenses	**195,994**	285,001	31
Net operating income	**$ 1,176,469**	$ 1,157,256	2

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs in 2002 were $358,328 compared to $431,472 in 2001. Due to the exploration component of Aventura's activities, $251,480 of overhead costs were capitalized during 2002, the comparable amount in 2001 was $365,233. The administrative costs decreased in 2002 due to the recovery of employee costs charged to the Trinidad joint venture for the second half of the year in the amount of $245,000.

FOREIGN EXCHANGE

The Company incurred foreign exchange losses of $134,661 and $159,966 in 2002 and 2001 respectively. The losses were the result of a decline in the Canadian dollar relative to the United States dollar for each of the fiscal time periods as well as an exchange loss of $56,000 in Argentina for 2002 as the result of the devaluation of the Argentine peso relative to the United States dollar which occurred during the first quarter.

DEPLETION AND DEPRECIATION

Depletion and depreciation expenses were $563,654 in 2002, a two percent decrease over the 2001 total of $576,275. The depletion, depreciation and amortization rate per barrel of oil equivalent in 2002 was $5.06 versus the 2001 value of $4.38. The 2002 depletion calculation includes $2,775,000 of future capital expenditures to develop the Company's reserves but excludes $2,335,000 of unproved properties.

INCOME TAXES

The Company's tax provision for 2002 consists of $110,000 in current taxes and $60,000 for a future tax provision. The comparable figures for 2001 were $122,000 in current taxes and $144,000 for future income taxes. At year-end 2002, Aventura had Canadian tax pools of $2,600,000 and foreign tax pools of $10,300,000. The majority of the Company's Canadian tax write-offs were COGPE with a 10 percent deduction rate; this resulted in Aventura being cash taxable in both 2002 and 2001.

CASH FLOW

Cash flow from operations increased to $672,342 or $0.04 per share in 2002 from a cash flow of $579,472 or $0.05 per share in 2001. The increase in cash flow was due to decreased production expenses and decreased general and administrative expenses.

NET EARNINGS

Net earnings for 2002 were $48,275 or $0.00 per share compared to 2001 net loss of $(140,809) or $0.00 per share. The increase in earnings for 2002 is the result of lower production expenses, lower general and administrative expenses and reduced future income taxes.

CAPITAL EXPENDITURES

Capital expenditures in 2002 totalled $2,462,000 with the majority incurred for pipeline and facility costs on the Central Block in Trinidad. The 2001 capital was $6,097,000 of which $4,800,000 was spent on the two well program in Trinidad. The following table details the capital expenditures by year and geographic location and illustrates the Company's focus on Trinidad activities.

Capital Expenditures *($000s)*	***2002***	***2001***
Trinidad		
Geological and geophysical	**340**	481
Drilling and completion	**391**	4,519
Tangible and other costs	**1,425**	476
	2,156	5,476
Argentina		
Tangible and other costs	**52**	249
Canada		
Tangible and other costs	**254**	372
Total capital expenditures	**2,462**	6,097

During 2002, the Company paid $5,674,734 as a deposit to acquire a 12.5 percent economic interest in Vermilion's 40 percent Trinidad Central Block interest. During January 2003, the acquisition of Vermilion's total interest in the Trinidad Central Block property was completed.

EQUITY

During May 2002, the Company issued 34,688,847 common shares for the conversion of warrants, finance options and finance warrants for gross proceeds of $5,507,356. On October 17, 2002, the Company completed a private placement of 40,000,000 common shares at a price of CDN $0.30 for aggregate gross proceeds of $7,573,367. During the year, Aventura issued an additional 1,513,333 shares on the exercise of stock options for proceeds of $98,210.

At year-end 2002, Aventura had 233,549,000 common shares outstanding and 12,950,000 stock options outstanding. During 2002, 31,173,000 shares traded on the Canadian Venture Exchange with a high of CDN $0.47 per share, a low of CDN $0.23 per share and a closing price of CDN $0.41 per share. Aventura's market capitalization at December 31, 2002 was CDN $95,755,000.

On March 11, 2003, the common shares of Aventura were consolidated on a ten for one basis. At the same time, the common shares commenced trading on the Toronto Stock Exchange with the stock symbol AVR and will no longer trade on the TSX Venture Exchange.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2002, Aventura had working capital of $6,740,000 and no debt. Based upon our current working capital, proceeds from Canadian asset sales, which occurred in January 2003, expected cash flow and the financing capability of our Trinidad property we will have sufficient funds to cover anticipated 2003 capital expenditures.

QUARTERLY INFORMATION

	2002				2001			
($US 000s, except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Gross revenue	**252**	**374**	**292**	**554**	529	413	353	283
Cash flow from operations	**30**	**220**	**(85)**	**507**	152	310	31	86
Cash flow per share	**0.00**	**0.02**	**(0.01)**	**0.03**	0.01	0.03	0.00	0.01
Net earnings (loss)	**(133)**	**60**	**(215)**	**336**	(27)	128	(108)	(134)
Earnings (loss) per share	**(0.01)**	**0.00**	**(0.01)**	**0.02**	0.00	0.01	0.00	(0.01)
Total assets	**13,266**	**19,005**	**18,962**	**27,041**	10,180	14,028	13,890	14,614
Weighted average common shares *(000s)*	**12,852**	**14,306**	**16,008**	**17,673**	12,539	12,540	12,556	12,619

Note: the number of shares and per share figures reflect the 10:1 consolidation, which occurred March 2003.

BUSINESS RISKS

In its daily operations, Aventura assumes risks, which include production operations, uncertainty of reserve size, country/political instability, foreign exchange, availability of and access to markets, economic volatility and environmental issues.

Aventura manages these risks by:

- *Employing highly trained and competent management and staff;*
- *Utilizing state of the art technology;*
- *Pursuing opportunities in politically stable and fiscally attractive countries with proven, prolific hydrocarbon basins;*
- *Maintaining strong strategic alliances with its parent company, Vermilion Resources Ltd.;*
- *Utilizing derivatives where appropriate to provide certainty of cash flow;*
- *Maintaining prudent levels of insurance; and*
- *Maintaining and surpassing compliance with all environmental legislation and working with governmental agencies to maintain this level of compliance.*

NEW ACCOUNTING PRONOUNCEMENTS

In December 2001, the Canadian Institute of Chartered Accountants (CICA) issued Accounting Guidelines 13, "Hedging Relationships" (AcG-13). AcG-13 establishes certain conditions for when hedge accounting may be applied. The guideline is effective for fiscal years beginning on or after July 1, 2003. Adoption of AcG-13 is not expected to have a material impact on our financial position or results of operations.

In September 2002, the CIBC approved Section 3063, "Impairment of Long-Lived Assets" (S.3063). S.3063 establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets, and applies to long-lived assets held for use. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The new Section is effective for fiscal years beginning on or after April 1, 2003. Adoption of this Section is not expected to have a material impact on our financial position or results of operations.

In December 2002, the CICA approved Section 3110, "Asset Retirement Obligations" (S.3110). S.3110 requires liability recognition for retirement obligations associated with our property, plant and equipment. These obligations are initially measured at fair value, which is the discounted future value of the liability. This fair value is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until we expect to settle the retirement obligation. S.3110 is effective for fiscal years beginning on or after January 1, 2004. The total impact on our financial statements has not yet been determined.

The following standards and revisions issued by the CICA do not impact Aventura:

- *Amendments to S.3025 - "Impaired Loans", effective for asset foreclosures on or after May 1, 2003.*
- *Section 3475 - "disposal of Long-Lived Assets and Discounted Operations", effective for disposal activities initiated by commitments to plans on or after May 1, 2003.*

Management's Report to Shareholders

The financial statements of Aventura Energy Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this annual report is consistent with that shown in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and to facilitate the preparation of reliable and timely financial statements for reporting purposes. Timely disclosure requires the use of estimates when transactions affecting the current accounting period cannot be finalized or known for certain until future periods. Such estimates are based on judgements made by management using all relevant information known at the time.

External auditors, Deloitte & Touche LLP, appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the financial statements. The Audit Committee of the Board of Directors, which consists of non-management directors, has reviewed the financial statements with management and the external auditors. The Board of directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Lorenzo Donadeo
Chairman, President & Chief Executive Officer
March 31, 2003

M Wares.
Martin Wares
Chief Financial Officer

Auditors' Report to Shareholders

To the Shareholders of Aventura Energy Inc.:

We have audited the consolidated balance sheets of Aventura Energy Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings (loss) and retained earnings and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Calgary, Alberta
March 31, 2003

Consolidated Statements of Earnings (Loss) and Retained Earnings

Years ended December 31, 2002 and 2001 (expressed in United States dollars)

	2002	*2001*
REVENUE		
Petroleum and natural gas revenues	**$ 1,479,867**	$ 1,549,287
Less royalties, net of ARTC	**(107,404)**	(107,030)
	1,372,463	1,442,257
Interest and other income	**99,246**	136,150
	1,471,709	1,578,407
EXPENSES		
Production	**195,994**	285,001
General and administrative *(Note 3)*	**358,328**	431,472
Foreign exchange	**134,661**	159,966
Depletion and depreciation	**563,654**	576,275
	1,252,637	1,452,714
EARNINGS BEFORE INCOME TAXES	**219,072**	125,693
PROVISION FOR INCOME TAXES *(Note 6)*		
Current	**110,384**	122,496
Future	**60,413**	144,006
	170,797	266,502
NET EARNINGS (LOSS)	**48,275**	(140,809)
RETAINED EARNINGS, BEGINNING OF YEAR	**306,788**	447,597
RETAINED EARNINGS, END OF YEAR	**$ 355,063**	$ 306,788
Earnings (loss) per share *(Note 5)*		
Basic	**$ 0.00**	$ (0.00)
Diluted	**$ 0.00**	$ (0.00)

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

December 31, 2002 and 2001 (expressed in United States dollars)

	2002	2001
ASSETS		
CURRENT		
Cash and cash equivalents	$ 6,365,320	$ 1,905,229
Accounts receivable *(Note 8)*	848,408	499,040
Prepaid expenses	112,306	73,729
	7,326,034	2,477,998
Deposit *(Note 12)*	5,674,734	–
Capital assets *(Note 3)*	14,040,073	12,135,931
	$ 27,040,841	$ 14,613,929
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 586,006	$ 1,325,638
Provision for future site restoration	40,297	34,455
Future income taxes *(Note 6)*	303,563	339,950
	929,866	1,700,043
SHAREHOLDERS' EQUITY		
Share capital *(Note 4(b))*	25,755,912	9,315,371
Special warrants *(Note 4(c))*	–	3,291,727
Retained earnings	355,063	306,788
	26,110,975	12,913,886
	$ 27,040,841	$ 14,613,929

See accompanying notes to the consolidated financial statements.

Approved by the Board,

Lorenzo Donadeo
Director

Stephen E. Bjornson
Director

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001 (expressed in United States dollars)

	2002	2001
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATIONS		
Net earnings (loss)	$ 48,275	$ (140,809)
Items not affecting cash:		
Depletion and depreciation	563,654	576,275
Future income taxes	60,413	144,006
Cash flow from operations	672,342	579,472
Changes in non-cash working capital	(1,127,577)	810,214
	(455,235)	1,389,686
FINANCING		
Issue of special warrants	–	3,381,009
Issue of share capital	13,178,933	201,917
Employee loans, net	102,247	(105,552)
Share issue costs	(229,166)	–
	13,052,014	3,477,374
INVESTING		
Capital asset additions	(2,461,954)	(6,096,699)
Deposit for petroleum and natural gas acquisition *(Note 12)*	(5,674,734)	–
	(8,136,688)	(6,096,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,460,091	(1,229,639)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,905,229	3,134,868
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,365,320	$ 1,905,229
Represented by:		
Balances with banks	$ 118,984	$ 1,151,154
Bankers' acceptances	6,246,336	754,075
	$ 6,365,320	$ 1,905,229
Cash flow from operations per share *(Note 5)*		
Basic	$ 0.04	$ 0.05
Diluted	$ 0.04	$ 0.03

See accompanying notes to the consolidated financial statements.

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Aventura Energy Inc. (the "Company" or "Aventura") have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Company activities
The Company's business activities consist of exploration for and development of oil and gas properties.

Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

Foreign currency translation
As the Company's operations are principally international and are primarily denominated in United States dollars and will continue to be in the future, the Company has chosen to report in United States dollars.

Foreign currency amounts are expressed in United States dollars using the temporal method as follows:

- monetary assets and liabilities translated at the rates of exchange prevailing at the balance sheet date;
- non-monetary assets, liabilities and related depletion and depreciation expense are translated at historic rates;
- sales, other revenue, royalties and all other expenses are translated at the average rates of exchange during the month they are recognized.

Any resulting foreign exchange gains or loss are included in earnings.

Petroleum and natural gas operations
The Company uses the full-cost method of accounting for petroleum and natural gas operations and, accordingly, capitalizes all exploration and development costs on a country-by-country basis. These costs include land acquisition, geological and geophysical costs, drilling (including related overhead) on producing and non-producing properties and other carrying charges on unproven properties. Proceeds of disposition are applied against the cost pools with no gain or loss recognized except where the disposition results in a 20% or greater change in the rate of the depletion and depreciation.

Depletion and depreciation of these costs is done on a country-by-country basis and is calculated on the unit-of-production method based on estimated proven reserves, before royalties, as determined by independent engineers. For purposes of depletion and depreciation calculations, oil and gas reserves are converted to a common unit of measure on the basis of six thousand cubic feet of natural gas to one barrel of oil.

The costs of significant unproved properties are excluded from the depletion and depreciation base until it is determined whether proved reserves are attributable to the properties, or if impairment has occurred. Unproved properties are evaluated for impairment on an annual basis.

The carrying value of petroleum and natural gas properties is limited to the recoverable amount as determined by estimating the undiscounted future net revenues from proven properties based on current prices and costs and the value of unproven properties at the lower of cost and net realizable value less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes. If the net carrying costs exceed the ultimate recoverable amount, additional depletion and depreciation is provided.

Revenue recognition
Revenue from the sale of petroleum and natural gas is recognized based on volumes delivered to customers at contractual delivery points. The costs associated with the delivery, including transportation and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Other equipment

Other equipment is depreciated using the declining-balance method at rates ranging from 20% to 100% per annum.

Future site restoration and abandonment costs

The Company estimates its future site restoration and abandonment costs for its oil and gas properties. The costs represent management's best estimate of the future site restoration and abandonment costs based upon current legislation and industry practices. Total estimated costs are being provided for on a unit-of-production basis. The annual provision is included in depletion expense and actual future site restoration and abandonment costs are charged to the account as incurred.

Joint interests

Substantially, all of the exploration and production activities of the Company are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Measurement uncertainty

The amounts recorded for depletion and depreciation of capital assets, the provision for site restoration and abandonment costs and amounts used for ceiling test calculations, are based on estimates of reserves and future costs. The Company's reserve estimates are reviewed annually by an independent engineering firm. These estimates of reserves and related future cash flows are subject to measurement uncertainty and the impact on the consolidated financial statements of changes in such estimates in future periods could be material.

Cash and cash equivalents

Cash and cash equivalents include investments with a maturity of one month or less when purchased.

Stock-based compensation plan

The Company has a stock-based compensation plan as described in Note 4(k). No compensation expense is recognized when stock options are issued to officers, directors and employees at prevailing market prices. Consideration paid on exercise of stock options is credited to share capital. For stock options issued after January 1, 2002, the fair values are determined, at the grant date and the impact on earnings is disclosed on a pro forma basis (Note 2).

Income taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets.

Risk management

The Company utilizes derivative financial instruments to manage exposures to fluctuations in commodity prices. All transactions of this nature entered into by the Company are related to future petroleum and natural gas production. The Company does not use derivative financial instruments for trading purposes. Costs and gains on derivative contracts are recognized in income in the same period that the transactions are settled. The fair values of derivative instruments are not recorded in the consolidated balance sheet.

Per share amounts

Net earnings (loss) and cash flow from operations per share are calculated using the weighted average number of shares outstanding during the year. Diluted net earnings (loss) and cash flow from operations per share are calculated using the treasury stock method to determine the dilutive effect of stock options. The treasury stock method assumes that the proceeds received from the exercise of "in the money" stock options are used to repurchase common shares at the average market price for the period.

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, the Company adopted the new CICA 3870 accounting standard for reporting stock-based compensation. This new recommendation requires disclosure of the impact on net earnings (loss) of using the fair value method for stock options granted on or after January 1, 2002. The fair value method requires that the options granted to persons other than employees or directors be reflected as compensation expense in the consolidated financial statements. The effect on Company's 2002 net earnings (loss) and net earnings (loss) per share would have been immaterial, based upon the number of stock options granted to non-employees for the year ended December 31, 2002.

The Company accounts for options granted to employees and directors based on intrinsic values. If the fair value method had been used, the effect on the Company's 2002 net earnings (loss) would have been a decrease of $183,000 for the year ended December 31, 2002. The Company's pro forma net earnings (loss) per share would be unchanged. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for grants: risk-free interest rate of 4.5%; expected lives of 5 years; expected volatility of 121; and no dividends paid.

The weighted average fair market value, using the Black-Scholes option pricing model, of options granted during the year ended 2002 was Cdn$0.27 per option.

3. CAPITAL ASSETS

	Cost	Accumulated Depletion and Depreciation	Net Book Value
2002			
Petroleum and natural gas properties	**$ 14,976,906**	**$ 2,286,449**	**$ 12,690,457**
Lease and well equipment	**1,480,838**	**185,242**	**1,295,596**
Furniture and other equipment	**147,860**	**93,840**	**54,020**
	$ 16,605,604	**$ 2,565,531**	**$ 14,040,073**
2001			
Petroleum and natural gas properties	$ 13,473,372	$ 1,763,796	$ 11,709,576
Lease and well equipment	534,103	174,765	359,338
Furniture and other equipment	146,028	79,011	67,017
	$ 14,153,503	$ 2,017,572	$ 12,135,931

As at December 31, 2002, costs of $2,334,697 (2001 - $8,757,007) for unproved properties have been excluded from the depletion and depreciation calculation. During the year, the Company capitalized $251,480 (2001 - $365,233) of overhead costs related to exploration and development activities.

The provision for future site restoration and abandonment costs is recorded in the consolidated statement of earnings (loss) as a component of depletion and depreciation and on the consolidated balance sheet as a long-term liability. Future site restoration and abandonment costs are estimated to be $165,428 (2001 - $66,419) of which, $5,842 (2001 - $6,906) has been charged to operations.

4. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares in series

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

b) Issued

Common shares

	2002		2001	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Opening balance	**128,457,920**	**$ 9,398,942**	125,307,920	$ 9,197,025
Conversion of special warrants into common shares *(Note 4(d))*	**28,888,847**	**3,381,009**	500,000	31,742
Issued on private placement *(Note 4(g))*	**40,000,000**	**7,573,367**	–	–
Issued on exercise of finance options *(Note 4(f))*	**2,900,000**	**471,453**	–	–
Issued on exercised on finance warrants *(Note 4(f))*	**2,900,000**	**339,446**	–	–
Issued on conversion warrants *(Note 4(e))*	**28,888,847**	**4,696,457**	–	–
Issued on exercise of stock options	**1,513,333**	**98,210**	650,000	42,685
Conversion of common share purchase warrants into common shares	–	–	2,000,000	127,490
Share issue costs, net of tax benefit of $96,800 (2001 - $Nil)	–	**(132,366)**	–	–
	233,548,947	**25,826,518**	128,457,920	9,398,942
Less loans receivable for purchase of shares *(Note 4(h))*	–	**70,606**	–	83,571
Ending balance	**233,548,947**	**$ 25,755,912**	128,457,920	$ 9,315,371

The number of common shares in Note 4 does not reflect the ten-for-one share consolidation of the Company stock, which occurred on March 11, 2003 (see Note 5).

c) Special warrants

	Number of Warrants	***Amount***
Balance, December 31, 2000	–	$ –
Issued for cash	28,888,847	3,381,009
Less loans receivable for purchase of special warrants *(Note 4(h))*	–	89,282
Balance, December 31, 2001	28,888,847	$ 3,291,727
Conversion of special warrants into common shares *(Note 4(d))*	(28,888,847)	(3,381,009)
Loans receivable repayments	–	66,456
Loans receivable reclassified to common share capital	–	22,826
Balance, December 31, 2002	**–**	**$ –**

On May 22, 2001, the Company closed a private offering of 28,888,847 special warrants ("Special Warrant") at a price of Cdn$0.18 per Special Warrant, for aggregate gross proceeds of $3,381,009. Each Special Warrant entitles the holder thereof to acquire, at no additional cost, one Aventura common share and one common share purchase warrant ("Warrant"). Each Warrant will entitle the holder thereof to acquire one common share at a price of Cdn$0.25 for a period of 12 months from the date of closing.

In addition, the Company also issued 2,900,000 finance warrants ("Finance Warrants"). Each Finance Warrant will entitle the holder thereof to acquire, at no additional cost, one finance option ("Finance Option"). Each Finance Option will entitle the holder thereof to acquire one common share and one Warrant at a price of Cdn$0.18 for a period of 12 months from the date of closing. Each Warrant issued on exercise of the Finance Options will entitle the holder thereof to acquire one common share at a price of Cdn$0.25 for a period of 12 months from the date of closing. 800,000 of the Finance Warrants were issued to a corporation whose president is a director of the Company. The remaining 2,100,000 Finance Warrants were issued to a corporation who has a significant shareholding in the Company and whose president is also a director of the Company.

d) During April and May 2002, 28,888,847 common shares were issued on the conversion of all of the Special Warrants.

e) On May 22, 2002, 28,888,847 Warrants issued in conversion of the Special Warrants, were exercised, resulting in the issue of 28,888,847 common shares at Cdn$0.25 for proceeds of $4,696,457.

f) On May 22, 2002, 2,900,000 common shares were issued at Cdn$0.18 on the exercise of finance options and 2,900,000 common shares were issued at Cdn$0.25 on the exercise of finance warrants.

g) On October 17, 2002, the Company completed a private placement, through a syndicate of underwriters of 40,000,000 common shares at a price of Cdn$0.30 for aggregate gross proceeds of $7,573,367 (Cdn$12,000,000).

h) Loans were provided from the Company to officers in the aggregate amount of $84,133 pursuant to Loan Agreements dated October 18, 1999 for the acquisition of Special Warrants (Note 4(c)). The loans bear interest at 7.25% per annum, are due October 18, 2003 and are secured by a pledge of the Special Warrants (and the common shares into which such Special Warrants are convertible) acquired with the loan proceeds. No interest was charged to the officers' for the period October 18, 1999 to December 31, 2002. An additional loan of $16,270 was provided to an officer of the Company to purchase common stock of the Company. The loan bears interest at 7.25% per annum and is due March 1, 2003 and is secured by a pledge of the common shares. These loans have been shown as a reduction in share capital. As at December 31, 2002, the balance outstanding in relation to these loans was $49,920.

Additional loans were provided from the Company to officers in the aggregate amount of $99,259 pursuant to Loan Agreements dated May 15, 2001 for the acquisition of the Special Warrants issued on May 22, 2001. The loans bear interest at 6.5% per annum, are due May 15, 2005 and are secured by a pledge of the Special Warrants (and the common shares into which such Special Warrants are convertible) acquired with the loan proceeds. Interest is charged quarterly on the loans and principal payments are made monthly based on a 48 month term. As at December 31, 2002, the balance outstanding in relation to the loans was $20,686. Upon the exercise of the Special Warrants, these loans were reclassified as loans for the purchase of common shares.

i) On October 20, 1999, the Company issued 2,000,000 common share purchase warrants, each warrant entitling the holder thereof to acquire one common share at a price of Cdn$0.10 per share for a period of two years from the date of issuance. 1,000,000 of the warrants were issued to a corporation whose president is a director of the Company. The remaining 1,000,000 warrants were issued to a corporation who has a significant shareholding in the Company and whose president is also a director of the Company. These warrants were exercised in October 2001.

j) As at December 31, 2002 and 2001, 650,000 common shares are held in escrow pursuant to the terms of a corporate acquisition related to a prior year. The terms of the release of the 650,000 common shares from escrow have not been met and under the escrow agreement terms, these share are eligible for cancellation on October 21, 2005.

k) The Company has a stock-based compensation plan under which officers, directors, consultants and employees are eligible to receive stock options. On December 31, 2002, 23,354,894 (2001 - 12,845,792), which is equal to 10% of the issued common shares, were available for issuance under the plan. Options granted under the plan prior to February 23, 2001 have a term of five years and vest one-third on issue and the remaining two-thirds on the first and second anniversary date of the initial grant. Options issued subsequent to February 23, 2001, vest one-third in the year following issue and one-third each year thereafter and are fully vested at the end of the fourth year. The exercise price of each option equals the market price of the Company's common shares on the date of grant. On December 31, 2002, 12,950,000 options (2001 - 11,270,000) were outstanding under the plan.

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

A summary of the Company's stock option plan as of December 31, 2002 and 2001 and changes during the year ended December 31, 2002 and 2001 are as follows:

	2002		2001	
	Number of Options	Weighted Average Exercise Price (Cdn)	Number of Options	Weighted Average Exercise Price (Cdn)
Outstanding, beginning of year	**11,270,000**	**$ 0.28**	6,950,000	$ 0.10
Cancelled	**(1,056,667)**	**$ 0.57**	(250,000)	$ 0.10
Granted	**4,250,000**	**$ 0.32**	5,220,000	$ 0.49
Exercised	**(1,513,333)**	**$ 0.10**	(650,000)	$ 0.10
Outstanding, end of year	**12,950,000**	**$ 0.29**	11,270,000	$ 0.28
Exercisable, end of year	**6,350,000**	**$ 0.19**	5,813,333	$ 0.11

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (Cdn)	Number Outstanding	Average Remaining Life in Years	Weighted Average Exercise Price (Cdn)	Number Exercisable	Weighted Average Exercise Price (Cdn)
$ 0.10	4,550,000	2.0	$ 0.10	4,550,000	$ 0.10
$ 0.17	1,000,000	3.2	$ 0.17	750,000	$ 0.17
$ 0.32	4,250,000	4.5	$ 0.32	–	$ 0.32
$ 0.57	3,150,000	3.5	$ 0.57	1,050,000	$ 0.57
	12,950,000			6,350,000	

5. PER SHARE AMOUNTS

Effective March 11, 2003, the Company completed the consolidation of its issued and outstanding common shares on the bases of one (1) new common share for each ten (10) common shares issued and outstanding. As a result, the earnings and cash flow from operations computations have been based on the new number of shares. The following table shows the effects of diluted securities on the weighted average common shares outstanding:

	2002	2001
Basic		
Earnings (loss) per share	**$ 0.00**	$ (0.00)
Cash flow from operations per share	**$ 0.04**	$ 0.05
Weighted average number of shares outstanding	**17,673,134**	12,618,587
Diluted		
Earnings (loss) per share	**$ 0.00**	$ (0.00)
Cash flow from operations per share	**$ 0.04**	$ 0.03
Weighted average number of shares outstanding	**19,192,390**	15,374,558

The number of shares used to calculate diluted earnings (loss) and cash flow from operations per share for the year ended December 31, 2002 of 19,192,390 (2001 - 15,374,558) included the weighted average number of shares outstanding of 17,673,134 (2001 - 12,618,587) plus 1,519,256 (2001 - 2,755,972) shares related to the dilutive effect of stock options.

The diluted net earnings (loss) and cash flow from operations per share discussed above did not include 315,000 (2001 - 420,000) of share options, because the respective exercise prices exceeded the average market price of the common shares.

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

6. INCOME TAXES

Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial income tax rates of 42.24% (2001 - 42.62%) to the earnings before future income taxes as follows:

		2002		2001
Expected tax	$	92,536	$	53,570
Increase resulting from:				
Non-deductible crown payments, net of Alberta Royalty Tax Credit		25,036		30,319
Resource allowance		(23,205)		32,356
Future income taxes benefit not recognized		14,846		53,884
Foreign tax rate difference		(2,502)		5,270
Non-deductible foreign exchange		56,881		68,178
Tax rate change		(171)		10,315
Other		7,376		12,610
Provision for income taxes	$	170,797	$	266,502

The components of the future income tax (liability) asset at December 31, 2002 and 2001 are as follows:

		2002		2001
Temporary differences related to assets and liabilities	$	(412,560)	$	(383,353)
Future site restoration		15,851		13,080
Finance expense charged to shareholders' equity		93,146		30,323
	$	(303,563)	$	(339,950)

7. COMMITMENTS

The Company is committed under leases on their office premises for future minimum rental payments excluding operating costs of $28,347 in 2003.

Under the terms of the purchase and sale agreement with Petrolera de Comahue, the Company is required to drill three wells by July 1, 2003 or the vendor will have the option to farm in on the concessions.

8. RELATED PARTY TRANSACTIONS

At December 31, 2002, accounts receivable includes $275,288 (2001 - $121,721) from the Company's parent company. These amounts relate to normal operating transactions between the two parties. The revenue received from the parent company during the year was $786,630 (2002 - $842,622).

These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

9. FINANCIAL INSTRUMENTS

Fair values

The fair values of all financial instruments which include cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities, approximate their carrying values, due to the short-term nature of these balances.

Years ended December 31, 2002 and 2001 (expressed in United States dollars, unless otherwise noted)

Risk management

The nature of the Company's operation results in exposure to fluctuations in commodity prices and exchange rates. The Company monitors and, when appropriate, utilizes derivative financial instruments to hedge its exposure to these risks. The Company is exposed to credit-related losses in the event of non-performance by counter-parties to the financial instruments. The Company only deals with major institutions and does not anticipate non-performance by counter-parties. In 2001, as the result of the oil hedge contracts, petroleum and natural gas revenues included gains totalling $10,863.

10. SUPPLEMENTARY CASH FLOW INFORMATION

	2002	2001
Accounts receivable	**$ (349,368)**	$ (92,882)
Prepaid expenses	**(38,577)**	(48,078)
Accounts payable and accrued liabilities	**(739,632)**	951,174
	$ (1,127,577)	$ 810,214
These changes relate to the following activities:		
Operating activities	**$ (1,264,239)**	$ (67,738)
Investing activities	**136,662**	877,952
	$ (1,127,577)	$ 810,214
Interest paid	**$ –**	$ –
Income taxes paid	**$ 35,000**	$ 250,000

11. SEGMENTED INFORMATION

The Company has operations in Canada, Argentina and Trinidad for 2002 and 2001. The Company's entire operating activities are related to exploration, development and production of petroleum and natural gas. During January 2003, the Company's Canadian petroleum and natural gas properties were sold (see Note 12).

	2002	2001
PETROLEUM AND NATURAL GAS REVENUE		
Canada	**$ 1,279,329**	$ 1,390,863
Argentina	**102,193**	158,424
Trinidad	**98,345**	–
	$ 1,479,867	$ 1,549,287
NET EARNINGS (LOSS)		
Canada	**$ 85,456**	$ (11,342)
Argentina	**(101,705)**	(113,640)
Trinidad	**64,524**	(15,827)
	$ 48,275	$ (140,809)
CASH FLOW (OUTFLOW) FROM OPERATIONS		
Canada	**$ 678,373**	$ 677,776
Argentina	**(80,407)**	(82,477)
Trinidad	**74,376**	(15,827)
	$ 672,342	$ 579,472
CAPITAL ASSET ADDITIONS		
Canada	**$ 254,019**	$ 371,736
Argentina	**51,764**	248,904
Trinidad	**2,156,171**	5,476,059
	$ 2,461,954	$ 6,096,699
TOTAL IDENTIFIABLE ASSETS		
Canada	**$ 9,811,774**	$ 4,106,084
Argentina	**1,466,091**	1,523,820
Trinidad (including deposit)	**15,762,976**	8,984,025
	$ 27,040,841	$ 14,613,929

12. SUBSEQUENT EVENTS

On January 22, 2003, the Company completed its acquisition from Vermilion Resources Ltd. ("Vermilion") of Vermilion's interest in the Trinidad Central Block assets. This acquisition was completed by a purchase of a portion of Vermilion's interest directly with the balance acquired through the acquisition of Vermilion's 100% owned subsidiary which indirectly holds Vermilion's interest in the Trinidad Central Block assets and certain other assets, including cash. The consideration paid by the Company consisted of 212,059,512 common shares of the Company and cash of approximately $5,600,000 which had been paid by the Company prior to December 31, 2002. The cash amount is shown as a deposit on the December 31, 2002 consolidated balance sheet. Following the transaction, Vermilion owns approximately 72.4% of the Company's issued common shares. As a result of this transaction, the Company has an effective 65% interest share of the Trinidad Central Block and will assume the responsibility of managing operations on the Block. Concurrent with this transaction, the Company sold its 25% overriding royalty interest in the Bottrel gas property to Vermilion for Cdn$6,300,000.

On January 31, 2003, the Company sold its remaining Canadian petroleum and natural gas properties for Cdn$1,300,000.

On March 11, 2003, the Company completed the consolidation of its issued and outstanding common shares on the basis of one (1) new common share for each ten (10) common shares issued and outstanding. On the same date, Aventura's common shares commenced trading on the Toronto Stock Exchange and ceased trading on the TSX Venture Exchange.

Corporate Information

DIRECTORS

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Vice President, Finance & CFO
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Chairman, President & CEO
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Claudio Ghersinich [2,3]
Managing Director
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Calgary, Alberta

Richard Grafton [2]
President
Avenir Capital Corporation
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Wim Korndorffer [1,3]
General Manager
KCI BV
Schiedam, Holland

James D. McFarland [2,3]
Managing Director
Southern Pacific Petroleum N.L.
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[1] Audit Committee
[2] Compensation Committee
[3] Reserves, Safety & Environmental Committee

MANAGEMENT

Canada
Lorenzo Donadeo, P. Eng.
Chairman, President & CEO

Martin Wares, C.A.
Chief Financial Officer

Michael Leith, P. Geol.
Vice President, International Exploration

Blair Anderson
Manager, Exploration and Development

Giuseppe (Joe) Arcuri
Senior Explorationist

Claudio Ghersinich, P. Eng.
Managing Director

Jeff Lawson, LLB
Corporate Secretary

Trinidad
Barry Larson
General Manager

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Chartered Accountants
Calgary, Alberta

BANKERS

National Bank of Canada
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LEGAL COUNSEL

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EVALUATION ENGINEERS

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TRANSFER AGENT AND REGISTRAR

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will take place on Wednesday, June 4, 2003 at 2:30 p.m. in the Strand Tivoli Room of the Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta. All shareholders are invited to attend to hear the formal business and the developments in Trinidad. Those unable to attend are encouraged to complete their form of proxy and return it to Valiant Trust Company.

AVENTURA

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